

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 ISO-00 AGRE-00 COME-00
L-03 CIAE-00 INR-07 NSAE-00 INRE-00 SS-15 SSO-00
NSC-05 NSCE-00 USIE-00 PA-01 PRS-01 TRSE-00 AID-05
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O R 271845Z JUL 77
FM AMEMBASSY SAN SALVADOR
TO SECSTATE WASHDC IMMEDIATE 5025
AMEMBASSY ABIDJAN
AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMEMBASSY MEXICO
AMEMBASSY LONDON
AMEMBASSY SAN JOSE
AMEMBASSY TEGUCIGALPA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SAN SALVADOR 3519

EO 11652: NA
TAGS: ETRD, ES
SUBJ: COFFEE: SALVADORAN COFFEE COMPANY IN FINANCIAL DIFFI-
CULTIES?

1. PROMINENT SALVADORAN BANKER TOLD ME CONFIDENTIALLY THIS
MORNING THAT SALVADORAN COFFEE COMPANY WAS IN DEFAULT TO
TWO LOCAL BANKS TO TUNE OF SEVERAL MILLIONS OF COLONES
(ONE COLON EQUALS \$US 0.40). TOTAL LOCAL BANK CREDIT TO
COFFEE COMPANY REPORTEDLY AMOUNTS TO 60 MILLION COLONES
(\$24 MILLION). SOURCE SAID THAT COFFEE COMPANY HAD LOST \$120
MILLION IN NEW YORK COFFEE FUTURES. LOSSES ON THIS ORDER
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WOULD SEEM TO BE POSSIBLE IT, AS REPORTED BY COMMODITY FUTURES
TRADING COMMISSION OFFICIAL TO ECONOFF, SALVADORAN COFFEE
COMPANY HELD 70 PERCENT OF OUTSTANDING LONG INTEREST IN JULY
CONTRACT. THIS WOULD AMOUNT TO ABOUT 3500 CONTRACTS ON WHICH
LOSSES SINCE EARLY JULY (ABOUT \$0.85 PER POUND) WOULD
COME TO MORE THAN \$111 MILLION DOLLARS. FIRST SOURCE ALSO STATED
COFFEE COMPANY WAS FACING TWO LAWSUITS IN U.S.

2. COFFEE COMPANY FINANCIAL DISASTER OF THIS MAGNITUDE WOULD HAVE SERIOUS REPERCUSSIONS IN EL SALVADOR, NOT LEAST OF WHICH WOULD BE LOSS OF CONSIDERABLE PERCENTAGE OF COUNTRY'S WINDFALL FOREIGN EXCHANGE GAINS FROM COFFEE PRICES. CENTRAL BANK WOULD BE FORCED TO BAIL COMPANY OUT TO PROTECT LOCAL BANKING SYSTEM AND EL SALVADOR'S FOREIGN CREDIT STANDING. IN THIS CONNECTION, CENTRAL BANK PRESIDENT AND VICE PRESIDENT HAVE NOT BEEN AVAILABLE TO ANSWER CALLS FOR LAST TWO DAYS. NEARLY ALL ECONOMIC OBSERVERS HERE AGREE THAT EL SALVADOR WILL FACE SERIOUS ECONOMIC PROBLEMS AS COFFEE PRICE CONTINUES TO DECLINE. PROSPECTS FOR 1978 AND 1979 ARE DEFICITS ON BALANCE OF PAYMENTS, SLOWER GROWTH AND INFLATION. COFFEE COMPANY COLLAPSE WOULD BRING THESE ECONOMIC PROBLEMS TO CRISIS POINT MUCH SOONER.

3. VICE PRESIDENT ASTACIO TOLD ME LAST NIGHT THAT COFFEE COMPANY DIRECTOR FALLA CACERES HAD APPEARED BEFORE A CONGRESSIONAL COMMITTEE TO TESTIFY ON COMPANY'S ACTIVITIES IN FUTURES MARKET. ASSUMING THIS INFORMATION CORRECT, I WOULD APPRECIATE BEING INFORMED AS SOON AS POSSIBLE ON THE CIRCUMSTANCES OF FALLA'S APPEARANCE BEFORE CONGRESS AND THE SUBSTANCE OF HIS TESTIMONY.
LUBENSKY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, FINANCE, BUSINESS FIRMS, BUSINESS LOSSES
Control Number: n/a
Copy: SINGLE
Sent Date: 27-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
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Executive Order: N/A
Errors: N/A
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ISecure: 1
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